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SUBJECT: Magna's Frank Stronach - Enigmatic Austrian Emigre and Industrial Power Broker

Sensitive but unclassified -- protect accordingly.

¶1. (SBU) SUMMARY: This cable offers biographical context on Frank Stronach, the 76 year-old "Austro-Canadian" founder and CEO of Magna International, one of the world's largest automotive companies and a leading contender to acquire General Motors' European operations. After emigrating to Canada in the 1950s and a meteoric rise there, Stronach partially relocated his personal and business interests back to Austria in the 1980s. A visible media presence here, Stronach has close ties to politicians in Austria and elsewhere in Europe which helped Magna win over German decision-makers and Russian financiers in the Opel deal. Austrians respect Stronach as a self-made billionaire, but his public engagements have met with mixed success. END SUMMARY.

¶2. (U) Frank Stronach was born in 1932 as Franz Strohsack ("straw sack") into a working-class family in a village in the southern Austrian state of Styria. At 14, he left school to apprentice as a tool/die maker. The ambitious young man worked as machinist in Austria and in Switzerland (where he glimpsed the good life outside his war-devastated home country) -- but quickly found his ambitions blocked. According to biographer Wayne Lilley, Stronach decided spontaneously in 1953 to apply for visas in the four most popular countries for post-war emigrants: the United States, Canada, Australia and South Africa. The Canadians were simply the first to grant him a visa, so he emigrated to Quebec, moving later to Ontario.

¶3. (U) Stronach's stellar rise in Canada is well documented. He ran his first business in 1956; in 1969, he founded Magna International through a merger. Magna International evolved into one of the world's largest automotive suppliers, engaged in designing, developing and manufacturing technologically advanced systems, assemblies, modules and components; the company now engineers and assembles complete cars and light trucks on behalf of original equipment manufacturers ("OEMs"). Magna has 74,000 employees in 25 countries, with pre-crisis sales of \$20 billion per year.

Engagement in Canada (NOTE: Embassy Ottawa background)

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¶4. (SBU) Frank Stronach is known in Canada as a highly eccentric but also very successful businessmen. With the exception of his entertainment group (race tracks, etc.), his Magna International auto parts enterprises are a Canadian success story. Once a small parts supplier for the Big Three and Japanese auto assembly plants located in southern Ontario, Stronach transformed his operations into a highly innovative, state-of-the-art automotive production company capable of producing a single part or an entire vehicle on a bespoke basis for clients around the world. With production facilities in China and financial partners in Russia ('Sberbank'), Magna defies the image of conservative Canadian business operations. However, Stronach's high-flying business activities are balanced by a deep commitment to civic affairs -- from major endowments to regional health care facilities near his Aurora, Ontario plant to annual sponsorship of the national "If I Were Prime Minister" contest designed to encourage Canadian university students to enter

political life.

15. (SBU) Perhaps Stronach's most important contribution to Canadian politics was the brief but eventful entry of his daughter, Belinda Stronach, into federal politics. A successful businesswoman in her own right, Ms. Stronach entered federal political politics at the top - challenging Stephen Harper in a leadership bid for the Conservative Party in 2004. While unsuccessful in her bid for party leadership, she was elected as a Conservative MP and served as Conservative Trade Critic, all the while helping to foster a more progressive image for the right of center party. However, her left of center views on social issues put her at odds with the party and in 2005, she crossed the floor of the House of Commons, to join the Cabinet of Liberal Prime Minister Paul Martin. The move rocked Canadian federal politics and derailed the opposition's plans to topple the Liberal government. In 2007, Ms. Stronach left politics in order to work on Magna's (unsuccessful) bid to acquire Chrysler Canada.

A Parallel Rise in Europe

16. (SBU) Three decades after emigrating to Canada, Stronach resettled (part-time) in Austria in 1986, opening another successful chapter in his rags-to-riches story and becoming an atypical celebrity. Stronach founded "Magna Europa" in the village of Oberwaltersdorf in Lower Austria in the late 1980s and in 1998 bought troubled automotive supplier Steyr-Daimler-Puch (which he merged with his company to become "Magna Steyr"). In 2002, Magna Steyr took over Chrysler's Eurostar production facility in Graz. Those deals and other acquisitions have made Magna one of Europe's leading automotive players, in a league with the major OEM's. NOTE: Magna's European head and leader of the Opel takeover bid, co-CEO

Siegfried Wolf, comes from similarly humble origins (an Austrian farming family) and may reflect Stronach's affinity for "self-made" individuals over the established elite - END NOTE.

17. (SBU) Stronach's success in Europe stems in part from long-term political networking. In Austria, his close ties to leading politicians have undoubtedly helped Magna secure favorable treatment. Stronach recruited former Chancellor Franz Vranitzky for the Supervisory Board of Magna International immediately after Vranitzky resigned as head of government in 1997 (and Vranitzky reportedly encouraged Stronach to become active in Russia over the past decade). Political entree helped Magna build ties to Russian tycoon Oleg Deripaska (who was invested in Magna in 2007-2008 before running out of money) and to Russian bank Sberbank, partial financier of the proposed Opel takeover. Vranitzky's strong relations with German Social Democrats (particularly Walter Steinmeier) may also have helped Magna in the Opel negotiations. Stronach has bankrolled politicians of all colors, including prominent conservative Karl-Heinz Grassler before the latter became finance minister in 2000.

18. (U) Stronach is well-known in Austria (and equally controversial) in sports and entertainment. From 1998 to 2006, he owned the popular soccer club FK Austria Wien, before selling the team in favor of a smaller club (Wiener Neustadt). From 2000 to 2005, he even served as president of the Austrian "Soccer Bundesliga" (the Austrian version of U.S. Major League Soccer). His soccer leadership was characterized by repeated controversy: a revolving door in terms of personnel, public appearances which were viewed as oddball, and only modest professional success. Likewise, Stronach's investment in horse racing -- his "second love" after soccer -- has been a losing proposition. In 2004, he opened a huge leisure center and horse racing site in Ebreichsdorf (Lower Austria), but the project has foundered due to lack of interest and may have to close soon. Other large Stronach ventures in Austria, such as an amusement park (1997) and recently a proposed new soccer stadium, have failed to leave the starting gate due to environmental resistance and lack of public financing.

COMMENT

19. (SBU) Stronach's extroverted but eccentric personality makes him a somewhat polarizing figure in Austria, despite widespread

admiration for his rise from rural apprentice to automotive tycoon. Unions periodically criticize him for his alleged poor commitment to employee rights; soccer fans complain about his interventionist management style (but seek his sponsorship); and the media sometimes ridicule him for less-than-polished public appearances. An informed observer (biographer Norbert Mappes-Niedick) claims Stronach's frenetic activities in Austria represent a quest for recognition in reaction to unhappy post-war childhood years. Although his public persona often falls short of media expectations (even in his native country), Stronach remains a capable political player behind closed doors -- no doubt a factor in his success convincing European policy-makers to support the Magna bid to acquire General Motors' extensive operations in Europe, including the Opel brand. END COMMENT.

110. (U) This cable was coordinated with Embassy Ottawa.

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